

Outcome 4

Efficient management of the Commonwealth overseas owned estate

OUTPUT 4.1

EFFECTIVENESS
QUALITY AND QUANTITY

OUTPUT 4.2

EFFECTIVENESS
QUALITY AND QUANTITY

Minister for Trade, Mr Simon Crean, at the official opening of the new chancery of the Australian High Commission in New Delhi on 18 January 2008.
L-R: Australian High Commissioner to India, Mr John McCarthy AO; India's Secretary (East), Ministry of External Affairs, Mr N Ravi; Minister for Trade, Mr Simon Crean.
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The department makes extensive use of contracted services in managing its overseas property estate. The department signed a new outsourced property services contract with United Group Services (UGS) on 1 April 2008.

L-R (seated): Ms Elizabeth Whitelaw, partner, Minter Ellison; Mr Peter Davin, Executive Director, Overseas Property Office (OPO); Mr Robin Silvester, Chief Executive UGS.
(standing): Ms Pria O'Sullivan, Senior Associate, Minter Ellison; Mr Philip Moran, the then Assistant Secretary, OPO; Mr Keith Gardner, Property Operations and Alliance Management Branch, OPO; Mr Barry Jackson, Executive General Manger, UGS.



PERFORMANCE INFORMATION FOR OUTCOME 4

Effectiveness indicators—overall achievement of the Outcome

Indicators to assist in assessing the success of the department's contribution to the achievement of this outcome are:

- Management of the owned overseas property estate meets the Government's property needs, and achieves the agreed dividend and return on investment in accordance with the Australian Government Property Ownership Framework
- Australian Government representatives overseas provided with appropriate accommodation, including through effective management of the United Group Services strategic alliance contract
- Efficient financial and physical management of assets.

TABLE 15. FINANCIAL AND STAFFING RESOURCES SUMMARY FOR OUTCOME 4

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	2007-08 Budget and Additional Estimates (\$'000)	2007-08 Actual (\$'000)	Variation (actual less budget) (\$'000)	2008-09 Budget (\$'000)**
Administered expenses				
Total administered expenses	0	0	0	0
Price of departmental outputs				
Output 4.1—Property management	52 725	54 332	1 607	49 882
Output 4.2—Contract management	0	0	0	0
Total price of departmental outputs	52 725	54 332	1 607	49 882
Appropriation from government for departmental outputs	0	0	0	0
Revenue from other sources	52 725	54 332	1 607	49 882
Total resourcing for Outcome 4 (Price of departmental outputs plus administered expenses)	52 725	54 332	1 607	49 882
	2007-08 Budget and Additional Estimates	2007-08 Actual	2008-09 Estimate**	
Average staffing level (number)**	24	24	28	
Australia-based staff	24	24	28	
Locally engaged employees overseas	0	0	0	

** ASL figures reflect the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time staff, to show the full-time equivalent. This also includes locally engaged staff overseas. 2008-09 average staffing level (ASL) estimates reflect the implementation of a new methodology for allocation of resources between outcomes and across outputs. As a result of the new methodology numbers in 2007-08 and 2008-09 cannot be directly compared. (See page 17 for explanation of the new methodology.)

OUTPUT 4.1:**Property management****Overview**

The department met the indicative targets under output 4.1 relating to the maintenance of the overseas property portfolio. We maintained the value of the Government's property assets. We paid a dividend to the Government, made a return on investment and maintained a management expense ratio consistent with property industry benchmarks.

The department's Overseas Property Office (OPO), which is responsible for managing all aspects of the Australian Government's overseas owned property estate, applied rigorous commercial practice to all aspects of property management, in accordance with principles outlined in the Australian Government Property Ownership Framework.

We maintained regular and effective communication with agencies on overseas property management issues, and consulted closely with government agencies represented at our overseas posts. We maintained close consultation with the Department of Finance and Deregulation.

The international security environment remained a major element in the management of overseas property. We ensured that new projects in the overseas estate met relevant security requirements.

Provision of accommodation overseas

The department fully met the office and staff accommodation requirements of agencies representing the Government's interests overseas.

We managed owned properties in 60 locations valued at \$1.6 billion.

The overseas leased estate, comprising property leased by the department and other agencies from private landlords, is funded from departmental appropriations with OPO providing management oversight of the estate (see Section 3: Corporate management and accountability on page 273 for information about the department's leased estate).

Physical management of assets

The department maintained its program of assessment of overseas property, involving annual inspections by facilities managers and consultation with post management and agencies.

In accordance with industry standards OPO determined priorities for upgrading and refurbishing properties under a five-year rolling program for the owned and leased estates approved annually by the department's senior executive (see also quality and quantity

PERSONAL PROFILE:

Lisa Clutterham

As one of 27 graduate trainees who joined the department in 2008, Lisa Clutterham's first rotation was spent in the Post Security Task Force (PSTF). The Task Force, established in 2004, is responsible for implementing a Government funding package to enhance the security of Australia's diplomatic missions overseas. Lisa worked closely with other areas of the department in coordinating the relocation of the Australia's embassies in Amman, Belgrade and Tel Aviv to new premises. Her primary role was to encourage the timely and cost-efficient completion



of the security construction and fitout works that preceded the moves. In mid-2008, she travelled to Tel Aviv for the final site inspection prior to the opening of the new embassy. During her rotation, Lisa gained valuable project management experience that will prove useful in her career at DFAT, both in Canberra and abroad.

I now have a greater understanding of physical security issues and the department's strong commitment to protecting the safety of staff and visitors at our overseas missions.

information for output 4.1). Acquisition and disposal of properties was determined in accordance with the Australian Government Property Ownership Framework and the provisions of the Lands Acquisition Act.

We developed and managed significant projects of construction and refurbishment in the overseas owned estate, enhancing its quality and long-term value.

Financial management of assets

The department operates a Special Account to manage the overseas owned estate. The account, which is separate from the department's budget appropriations, was established in May 2002 by the Minister for Finance. Revenue into the account is derived from commercially based rents paid by agencies that occupy government-owned property overseas.

For reporting on financial management of the overseas owned estate, see quality and quantity information for output 4.1.

Outlook

We will continue to manage a significant construction program in the overseas property estate in 2008–09. We will maintain our program of post inspections and assessments to ensure that the value of the estate is maintained and enhanced in compliance with appropriate standards. We will meet our objectives in management of the owned estate through prudent operation of the overseas property Special Account and consistent with the provisions of the Australian Government Property Ownership Framework.

Output 4.1: Quality and quantity information

Quality indicators

- Portfolio condition to be maintained to industry standards
- Tenant satisfaction to be reviewed by annual survey

Quantity indicators

- Return on investment to be compared with external industry benchmarks and the agreed annual requirement as determined each year
- Management expense ratio to be consistent with external industry benchmarks
- Pay agreed annual dividend to Government

Portfolio condition

The department assessed the overall condition of the overseas owned property estate in 2008 as good measured against industry-based benchmarks. New construction works and refurbishments carried out by the Overseas Property Office and cyclical maintenance programs have continued to improve the operational effectiveness of the estate. Proposed projects foreshadowed in the department's forward property program (see output 4.2) will contribute to the value and amenity of the estate.

Tenant satisfaction

Tenant satisfaction with the delivery of property management services by United Group Services (UGS) is measured by surveys conducted each year by OPO. OPO assessed the performance of UGS as good throughout the year.

We ensured that the service provider maintained close liaison with tenants and that property management services were delivered to agreed standards (see also output 4.2).

Quantity information for output 4.1

Return on investment

The rate of return on investment on the overseas owned estate was 12.58 per cent. The return on investment continued to reflect expenditure on major capital works projects in the estate.

Management expense ratio

The management expense ratio indicates the relationship between costs of management and value of the estate. For 2007–08 the ratio was assessed at 1.10 per cent, which was consistent with external industry benchmarks.

Annual dividend

The department paid to the Government a dividend of \$25 million from the operations of the overseas owned estate in 2007–08, as agreed between the Minister for Foreign Affairs and the Minister for Finance and Deregulation. The department also returned \$11.14 million from property divestment proceeds.

OUTPUT 4.2:**Contract management****Overview**

The department made extensive use of contracted services in managing the overseas property estate. These services included project design, management and construction, property purchase and disposal, audit and legal. Service providers were selected in accordance with the Government's competitive tendering and contracting procedures.

During 2007–08 a range of outsourced property services was provided to the overseas owned estate under the department's long-term contract with United Group Services (UGS).

Construction projects

We managed a substantial construction program in the overseas owned estate throughout 2007–08. New chanceries in New Delhi and Vientiane were completed, as were refurbishment works on the high commissions in London and Singapore. Work continued on refurbishment of our high commission in Kuala Lumpur. Construction commenced of our new chancery in Phnom Penh.

We obtained Parliamentary approval for refurbishment works on staff apartments in Tokyo. We reached agreement on the purchase of land for a new chancery in Jakarta.

In addition to projects in the owned estate, the Overseas Property Office (OPO) commenced work on new leased chancery offices in Belgrade, Madrid and Tel Aviv.

Details of projects undertaken in 2007–08 are provided under output 4.2 quality and quantity information.

Outsourced property services contract

The contract with UGS for the provision of property services across the overseas owned estate expired on 31 March 2008 but continued under transitional provisions until 30 June 2008.

Under the contract, UGS provided facilities management including servicing of plant and equipment and preventive maintenance programs in posts. At some posts UGS provided on-site facilities managers who oversaw locally employed UGS staff. Posts reported faults or problems to the company's 24-hour call service in Australia.

New chancery in New Delhi

We completed construction of a new chancery and related works at the high commission compound in New Delhi in September 2007. The chancery replaced an ageing and overcrowded building that no longer met the requirements of Australia's expanding diplomatic relationship with India.

Construction began in the latter half of 2003, following consideration by the Parliamentary Joint Standing Committee on Public Works and approval by Parliament in September of that year.

Both the post and the department's Overseas Property Office (OPO) faced a major logistical task as the high commission had to remain fully operational while the new chancery was being constructed. The old chancery building was demolished, and a temporary chancery built on the compound. To meet increased staff accommodation requirements, two new townhouses were constructed as part of the project.

The new chancery was the largest and most complex project undertaken by OPO since its establishment in 2001. The building was designed by Australian architects Woodhead International. It fully meets functional and security requirements and provides safe, efficient and pleasant office space for Australian Government agencies represented in New Delhi. The general design philosophy was to represent an image of Australia through the use of Australian materials and finishes in public areas, and to respect local culture by building in sympathy with the surrounding environment.

The department maintained a continuous dialogue with UGS to ensure effective provision of services under the contract. Posts' satisfaction with services provided by UGS was surveyed by OPO throughout the year. Survey results demonstrated a good level of performance by UGS in 2007-08 (see output 4.2 quality and quantity information).

Under a tender process begun in June 2007, bids were sought for the provision of these outsourced services on the expiration of the contract. UGS was the successful tenderer.

Under the new contract arrangements, UGS will continue to provide the services they provided under the former contract, including facilities management and financial processing and reporting. In addition the new contract extends technical assistance to posts in their management of leased properties.

Mobilisation of the new contract commenced on 1 April 2008 with services to commence from 1 July 2008.

Outlook

In 2008-09 the department will continue to manage the Government's construction and refurbishment program in the overseas property estate in accordance with legislative and governance requirements.

Output 4.2: Quality and quantity information

Quality indicators

- Efficient and effective management of construction projects for new capital works
- Ensuring measurement of contractual outcomes required of United Group Services
- Tenant satisfaction with United Group Services contract delivery

Quantity indicators

- Number of project contracts managed
- Number of calls answered by United Group Services call centre and agreed response times for successful service delivery achieved

Management of construction projects

Projects in the overseas owned estate continued to be managed within time and cost targets.

Projects completed in 2007–08 were new chanceries in New Delhi and Vientiane, and refurbishment and other works in London, Honiara, Islamabad, Riyadh and Singapore. Project planning was initiated on our new chancery in Bangkok, building works continued on the new chancery in Amman and work commenced on the new chancery in Phnom Penh. Refurbishment works continued on chanceries in Dhaka and Kuala Lumpur. Work on leased chancery relocations continued in Belgrade, Madrid and Tel Aviv, and on the leased chancery compound in Baghdad (see quantity information for output 4.2).

Land was acquired for the relocation of our chanceries in Jakarta and Nairobi.

Contractual outcomes required

The performance of UGS is measured against contractual indicators relating to financial and business processes, tenant satisfaction, portfolio condition, divestments and capital works. Overall, the contract delivered good outcomes.

Tenant satisfaction

See output 4.1 quality and quantity information.

Quantity information for output 4.2

Number of project contracts managed

During 2007–08 OPO completed seven projects in the overseas owned estate, and had oversight of nine projects under construction in the owned and leased estate. OPO managed preliminary and design works for 14 properties approved for relocation or refurbishment. In accordance with its obligation to maintain the long-term value and condition of the overseas estate, and to meet security and other requirements, OPO undertook feasibility studies for possible or prospective future works in a number of other locations overseas.

Number of calls answered and response times

A total of 6998 calls were made to the UGS call centre, with 99.4 per cent of calls responded to within key performance indicator response times.

